

Senate Budget & Fiscal Review

Senator Wesley Chesbro, Chair



Subcommittee No. 3
on
Health, Human Services, Labor, and Veterans Affairs

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5180 Department of Social Services

The Department of Social Services administers a series of programs designed to protect children from abuse, neglect and exploitation, to deliver necessary services to children in out of home care, and to support the adoption of children with special needs. These programs serve an average of 323,001 youth each month. The programs are overseen by the Department of Social Services and operated by county welfare departments. The Governor's Budget provides \$4.6 billion in combined federal, state and county funds to support children and family services programs. The vast majority of these funds are federal or local as the budget proposes to realign most of these programs to counties.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	\$ Change	% Change
Program				
Child Welfare Services	1,943,668	2,077,269	133,601	6.87
Foster Care	1,639,922	1,783,398	143,476	8.75
Adoptions	504,085	582,499	78,414	15.56
Kinship Guardian Assistance	76,232	100,792	24,560	32.22
Child Abuse Prevention	19,983	21,815	1,832	9.17
Total Program Expenditures	4,183,890	4,565,773	\$381,883	9.13
Fund Source				
State funds	1,320,691	112,476	-1,208,215	-91.5
Federal funds	1,898,249	2,058,627	160,378	8.4
County funds	926,773	2,357,642	1,430,869	154.4
Reimbursements	38,177	37,028	-1,149	-3
Total	\$4,183,890	\$4,565,773	\$381,883	9.13

ITEMS FOR DISCUSSION

1. California Child and Family Services Review

Background: The federal Adoption and Safe Families Act of 1997 made sweeping changes to state child welfare services programs and foster care programs. Among other changes, the Act required the establishment of a new outcome based evaluation process to assure states' substantial conformity with federal foster care, child protective services and adoptions services requirements. The new review process requires the completion of a statewide self-assessment, analysis of statewide data regarding the safety, permanency and wellbeing of children, as well as an on-site federal review of cases. The review assesses state performance on seven outcomes pertaining to safety, permanency and well

being, and on seven systemic factors including training of foster parents and caseworkers, data systems, and quality assurance. The review establishes fiscal penalties for non-compliance and may affect federal financial participation in the future. Given the high standards of the new federal review system and states' performance on the review, it is most likely that the federal government will not assess penalties immediately and will provide states an opportunity to improve their program outcomes.

The federal government completed its review of California's child and family services in January 2003. The review examined multiple state programs and services including child protective services, foster care, adoption, family preservation, family support and independent living. It included a statewide self-assessment, which the state completed by July 2002, and an onsite federal review of 49 cases, which was conducted in Los Angeles, San Mateo and Stanislaus counties.

The federal government concluded that California is not operating in substantial conformity in all evaluated outcome areas and five of the seven evaluated factors. California is in substantial conformity with requirements regarding agency responsiveness to the community and having a statewide information system that meets specified criteria. **The review also identified a series of programmatic strengths** including timeliness of initiating investigations of reported maltreatment, providing services to prevent the removal of children, reducing the risk of harm to children, placing siblings together in foster care, conducting caseworker visits, and meeting children's physical health needs. **The federal government concluded that California is not in substantial conformity with the following outcomes and factors:**

Outcomes

- Children are, first and foremost, protected from abuse and neglect.
- Children are safely maintained in their homes whenever possible and appropriate.
- Children have permanency and stability in their living situations.
- The continuity of family relationships and connections is preserved for children.
- Families have enhanced capacity to provide for their children's needs.
- Children receive appropriate services to meet their educational needs.

Factors

- Status of Case Review System
- Status of Quality Assurance System
- Status of Training
- Status of Service Array
- Status of Foster and Adoptive Parent Licensing, Recruitment and Retention

Federal law requires that California negotiate a Program Improvement Plan (PIP) with the federal government to address system deficiencies and improve the state's outcomes. The state's plan will outline specific steps California will take to improve its children and family services system.

The PIP must include timeframes for achieving program improvements. **Given California's overall performance, the review's findings strongly suggest that the negotiated PIP will require new programmatic investments to achieve compliance. California is required to submit its PIP to the federal government by April 10, 2003.**

In addition to the state's work to complete its Program Improvement Plan by the April 2003 deadline, California is engaged in an effort to revamp the way in which it measures county outcomes. Assembly Bill 636 (Steinberg) required that California establish an outcome-based system to evaluate county operations of the child welfare services system. The Health and Human Services Agency has convened an advisory group to develop a new Child Welfare Services Outcome and Accountability System based on the new federal review standards. The Agency will submit to the Legislature by April 1, 2003 a work plan for implementation of AB 636. In April, the DSS will work with the advisory group to develop the new system to be implemented in January 2004.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services answer the following questions:

1. Briefly describe the recent federal review of California's child and family services including the federal government's findings.
2. Describe the status of California's Program Improvement Plan including, stakeholder participation in its development, and examples of the planned improvements.
3. Report any additional costs associated with California's Program Improvement Plan.
4. Discuss the possible ramifications if California remains out of compliance with federal requirements.
5. Discuss the interactions between California's performance in the federal review, the state's PIP and the proposed realignment of child and family services.

Budget issue: This item is primarily informational. There is no Subcommittee action required at this time.

2. Child Welfare Services Stakeholders Group

Background: In 2000, the Administration and the Legislature established the Child Welfare Stakeholders Group to examine California's child welfare services programs, processes and outcomes, and to recommend changes necessary to achieve programmatic goals. The group has been working together for three years and will finalize its work by June 30, 2003.

In the first year the group adopted a vision, a mission and values to guide the child welfare system redesign process. The group also developed a conceptual framework for the system redesign. The department issued its first progress report in June 2001. The report outlined the activities of the Stakeholders Group and discussed the group's findings. The Group found that new service approaches are needed. The report identified the values of a redesigned system, and developed concepts that will support

changes to the children's services system. These include such proposals as emphasizing investments in prevention and early intervention, varying responses to meet the needs of the child and family, coordinating the responses of public and private agencies, and using available funds flexibly.

In the second year the group established multiple workgroups to develop in more detail the framework established in year one, and to discuss what the redesigned system would look like and how it would operate. The department issued its second progress report in May 2002. The report discusses strategies to effectuate many of the goals identified in year 1 such as the creation of stronger partnerships at the state and local level to prevent child abuse and neglect, efforts to improve the successful transition of youth out of the system, and strategies to reduce the time youth spend without a safe or permanent placement. The report identifies barriers to achieving the established goals and defines system changes necessary to achieve the desired program outcomes.

The department plans to issue the Stakeholders Group final report by July 2003. The department also plans to incorporate many of the ideas developed through the Stakeholders process into California's federally required Program Improvement Plan.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services answer the following questions:

1. Briefly discuss the status of the Child Welfare Stakeholders Group.
2. Report any additional costs associated with Group's anticipated recommendations for system redesign.
3. Discuss the interactions between the Group's proposed system redesign, the federally required PIP and the proposed realignment of child and family services.

Budget issue: This item is primarily informational. There is no action required.

3. Child Welfare Services

Background: The Child Welfare Services (CWS) system provides a range of services to protect children from abuse, neglect and exploitation. The services are designed to prevent, help alleviate and remedy the problems that cause abuse, neglect or exploitation of children. The services also work to prevent the unnecessary separation of children from their families, arrange to restore children to homes from which they have been removed, and identify children who should be temporarily or permanently removed from their homes. The CWS system includes Emergency Response, Family Maintenance, Family Reunification and Permanent Placement services.

The Department of Social Services is responsible for oversight of the state's CWS system. County welfare departments administer and operate CWS programs, and deliver program services to children and their families. The DSS and its county partners serve an estimated 171,000 youth each month.

Governor's budget: The budget provides \$2.08 billion total federal, state and county funds (\$69.3 million general fund) to support the CWS system. Funding for the Child Welfare Services system is based on 2000-2001 county costs and does not include a cost-of-doing business adjustment to local child welfare services providers. The budget makes the following funding assumptions:

a. Realigns Child Welfare Services to counties virtually eliminating general fund support for the program. This budget issue is discussed on page 26 as part of a broader realignment discussion.

b. Maintains counties at their prior year funding level.

The budget provides \$1.32 billion in total funds for the basic CWS program. It assumes a CWS caseload decrease of 2.2 percent and provides modest increases and decreases to the base allocation to account for caseload changes within each program component. The budget essentially funds counties at their prior year levels and calculates costs to maintain each county's prior year social worker funding level.

The Legislative Analyst recommends that the Legislature reduce by \$11 million funding for the Child Welfare Services program to account for the reduced program caseload. The Analyst further recommends that the department abolish the "hold harmless" method of budgeting basic CWS costs. The hold harmless budgeting method was established during the implementation of the Child Welfare Services Case Management System in response to concerns about the accuracy of the data system's caseload data. The department maintains this budgeting methodology partly out of its recognition of the significant funding and staffing needs, and the extent of caseworker overburdening in the CWS program.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services briefly discuss the proposed basic funding level for CWS and the reasoning underlying its budgeting methodology. The Subcommittee has also requested that the Legislative Analyst briefly present her recommended reduction.

Budget issue: Does the Subcommittee wish to approve the proposed basic funding for the CWS program?

c. Senate Bill 2030, the CWS Augmentation and Social Worker Training.

Senate Bill 2030 (Costa), Chapter 785 of the Statutes of 1999 required that the Department of Social Services conduct an independent evaluation of the adequacy of the state's child welfare services budgeting methodology, and funded caseload and service levels, and to make recommendations to the Legislature. The SB 2030 Child Welfare Services Workload Study found that caseworkers were seriously overburdened and carrying much larger caseloads (2 times as many) as were ideal. The study recommended that California implement minimum caseload standards, devise and implement a staff recruitment plan, as well as revise its budget methodology.

Assembly Bill 2876, Chapter 108, Statutes of 2000 required the DSS to develop a plan to implement the recommendations of the SB 2030 study. **Among the actions proposed by a workgroup formed to advise the department as part of its required implementation plan was the adoption of minimum caseload standards and phased-in augmentations to reach the proposed minimum standards** by the 2005-06 fiscal year. The implementation plan also included a series of action steps including expanded slots for all levels of social work education and additional support for training of social workers.

Beginning in 1998, the Legislature and the Administration provided an augmentation to the CWS program to address program under funding and provide workload relief. Assembly Bill 1656, Chapter 324, Statutes of 1998 authorized an initial CWS program augmentation of \$40 million general fund. Assembly Bill 1740, Chapter 52, Statutes of 2000 provided an additional augmentation of \$34.3 million general fund. **Last year, citing the state's fiscal situation, the Governor reduced the CWS augmentation by \$17.2 million general fund and reduced CWS program funding by another \$10.8 million general fund for a total reduction in state funding for CWS of \$28 million.**

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services discuss California's current caseload levels in comparison to the SB 2030 recommended standards and discuss the impact on services of overburdened workers.

Governor's budget: The budget reduces the CWS augmentation by another \$2.5 million due to a decreased level of federal financial participation.

d. Relative Home Assessment

A recently enacted state law requires that counties conduct an in-home assessment prior to placing a child in the home of a relative, or the home of a non-relative extended family member. Further, the federal Adoption and Safe Families Act requires that counties conduct additional in-home assessments when one or more relatives or non-relative extended family members seek approval to have related foster children placed with them. During these in-home assessments counties evaluate the safety of the home and the ability of the relative to care for the child's needs. **Counties are required to visit all willing relatives or non-related extended family members to fairly establish viable placement options.**

Governor's Budget: The budget provides a \$6.7 million increase in state and county funds to support these new required relative caregiver home assessments.

The budget assumes that counties will take an additional three hours to complete the new relative home assessment requirements. Counties report that the new assessments take considerably longer. Counties have identified two types of cases,

regular and complex. Completing assessments takes an average of 6 to 8 hours and 16 hours accordingly. About 90 percent of the cases are complex and require 13 more hours than the budgeted time. Counties further note that the budget estimate does not account for travel time, which ranges from 2 to 4 hours.

Subcommittee request and questions: The Subcommittee has requested that the Administration briefly describe the new requirement, the proposed funding and whether the assumed additional 3 hour time frame for completing home assessments bears what counties have been experiencing.

Budget issue: Does the Subcommittee wish to approve this item as budgeted?

e. CWS/CMS maintenance and operations

Federal and state laws require the state to provide automated case management support to child welfare workers. California accomplishes this goal through the Child Welfare Services Case Management System.

Governor's Budget: The budget proposes to augment the CWS/CMS budget by \$43.5 million (\$21.7 general fund). This amount includes a \$38.1 million (\$19.1 general fund) increase for ongoing maintenance and operations needs of the CWS/CMS system and \$5.3 million (\$2.7 general fund) for the design, development, integration and implementation of the Expanded Adoptions Subsystem.

The Legislative Analyst recommends that the state finance rather than purchase hardware, which could substantially reduce costs for CWS/CMS maintenance and operations in the budget year. The Subcommittee as part of its deliberations on the Health and Human Services Data Center's budget referred the Analyst's recommendation to the action agenda.

Budget issue: Does the Subcommittee wish to conform to its previous action and refer the Analyst's recommendation regarding CWS/CMS to the action agenda?

f. Promoting Safe and Stable Families

The federal government funds a specific program within the child welfare services system to provide community based, family centered services that focus on supporting and preserving families, protecting children and preventing child abuse and neglect.

The budget shows a modest increase of \$2.1 million, for a total of \$50.1 million in the budget year. The required match is provided through the existing state Family Preservation Program.

Budget issue: Does the Subcommittee wish to approve program funding as budgeted?

4. Child Abuse Prevention, Intervention and Treatment Program (CAPIT)

Background: The Child Abuse Prevention, Intervention and Treatment Program funds prevention and intervention services for children at risk of abuse and/or neglect. Specifically, the program supports contracts with community-based public and private agencies to provide services to high-risk children and their families.

CAPIT funds are provided through county allocations. In addition to providing funds to support the aforementioned services, the budget provides \$1 million for innovative services contracts issued through a competitive bid process. The budget also provides a small amount of funds for training and technical services to support program administration and to provide for regional training on various child abuse issues.

Funding for the budget year is \$21.85 million (\$1.8 state funds).

The budget proposes this program for realignment. This issue is considered in more detail on page 26.

Budget issue: Does the Subcommittee wish to approve the proposed funding for this program?

5. Foster Care Program

Background: The Foster Care program provides support payments for children in out-of-home care as a result of a judicial order or a voluntary placement agreement. The program provides payment to foster care service providers, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. The program is administered by the Department of Social Services and operated by county welfare departments. **It serves an estimated average of 76,400 youth a month, reflecting a 2.2% increase in caseload.**

Governor's budget: The budget provides \$1.78 billion total federal, state and county funds (\$78,000 general fund) to support the foster care system. The budget makes the following funding assumptions:

a. Realigns the Foster Care Program to counties virtually eliminating general fund support for the program. This budget issue is discussed on page 26 as part of a broader realignment discussion.

b. Foster Care Program – Compensation for County Services

The budget provides \$94.8 million to support county delivery of Foster Care Program services. This amount reflects a \$3.8 million increase in local assistance due to increased program caseload. **The proposed compensation for county services is based on 2000-2001 county costs and does not include a cost-of-doing business adjustment.**

c. Foster Care Program – Compensation for Provider Services

The budget provides \$1.6 billion for basic foster care payments. This amount reflects a \$127 million increase in compensation to foster care service providers due to increased program caseload. The budget suspends cost of living adjustments for foster care providers and maintains their 2001-02 level.

Providers argue that the standard foster care rates are 17 percent below the 1990 rates adjusted by the California Necessities Index (CNI) and 18 percent below rates adjusted by the Consumer Price Index (CPI). Further, providers argue that the comparison to the CNI and CPI adjusted rates underestimates the inadequacy of the current rate structure as it does not account for increases in energy, workers' compensation and insurance costs.

Providers request that the state adopt a series of changes to enhance their ability to manage the proposed COLA suspension. First, providers suggest that the Legislature permit agencies operating group homes to modify their staffing patterns to reflect the lack of a 2003-04 COLA. They also request that California hold group homes "harmless" from audit exceptions and resulting state actions when the agency can demonstrate that it used all of the foster care funds (AFDC-FC) it was paid during a fiscal year on the operation of its group home program.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services briefly describe the proposed COLA suspension, discuss the impact of the proposed suspension on provider participation in the foster care program, and comment on the provider proposals.

Budget issue: Does the Subcommittee wish to approve this item as proposed in the budget?

d. Foster Care Ombudsman Office Increase

The Foster Care Ombudsman program was established in 2000 to provide an autonomous, independent means for resolving issues related to the care, placement and services of foster youth. Among other activities, the Foster Care Ombudsman Office disseminates information regarding the services it provides and the rights of children and youth in foster care. The Office received 8,623 contacts from youth and assisted in the resolution of 716 complaints and 706 referrals from May 2001 to May 2002.

Governor's budget: The budget proposes a \$295,000 increase for the Foster Care Ombudsman Office to convert 4 limited term positions to permanent positions.

Budget issue: Does the Subcommittee wish to approve the proposed increase?

e. Group home affiliated leases

Since 1997, the Department of Justice has been required to review group home affiliated lease agreements, also known as self-lease agreements, to determine whether the lease is fair and reasonable. If the rent and other allowable shelter costs paid for by the group home under the lease are fair and reasonable, the DOJ sends an approval letter to the Department of Social Services. The DSS then sets a reimbursement rate for the group home. **The DOJ review seeks to assure procedural correctness and financial propriety, as well as continued federal financial participation for group home self-lease agreements.**

The required lease review is part of the process whereby the DSS sets foster care rates for group homes. Accordingly, since the inception of the review requirement the DSS has compensated DOJ for its review of the group home leases.

Governor's budget: The budget proposes to eliminate the DSS contract to compensate the DOJ for completing the statutorily required review of group home self-lease agreements. This proposal generates general fund savings of \$75,000.

The DSS reports that few group homes benefit from the services provided by the DOJ. Under the proposal, benefiting homes will be required to pay the costs associated with the leasing activities performed by the Department of Justice.

The Department of Justice opposes the elimination of the DSS contract because it would result in unreimbursed costs to DOJ for activities that further a DSS program. The DOJ argues that funding for the contract should be restored or the requirement that DOJ review group home self-lease agreements should be eliminated.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services briefly describe the proposal, discuss its projected impact on group homes and its impact on the Department of Justice.

The Subcommittee has also requested that the Department of Justice discuss the rationale for their opposition to this budget proposal and their recommendations.

Budget issue: Does the Subcommittee wish to approve the proposed elimination of the contract between the DSS and the DOJ?

6. Adoptions Services

Background: The Adoptions program provides a range of services to encourage and facilitate the adoption of children who have been relinquished by their parents or who have become wards of the state due to the termination of parental rights as a result of abuse or neglect. The program is overseen by the state and administered locally by county welfare departments.

Program funds seek to maximize the adoption of children in foster care for whom family reunification is not a viable option. Legislation passed in 1996 created a three-year program to maximize adoption opportunities for children in public foster care and reduce the foster care population. Counties were funded through performance agreements that increased the number of adoption social workers in an effort to double the number of statewide adoptive placements. **As a result of the Adoptions Initiative, the annual number of foster children who were placed in an adoptive home increased from 3,000 to 7,500.** In the final report of the Initiative, the Department reported that the Initiative improved by 77% the chances that foster children who cannot return home are placed for adoption and resulted in additional performance above the baseline adoptions' activity. The initiative freed 16,200 children for adoption, placed 14,300 children for adoption, and completed 10,500 adoptions. Social worker efficiency (adoptive placements per social worker) was improved, and adoption practice shifted to a focus on concurrent services planning, kin adoption, and the use of uniform and comprehensive assessments of applicant families. Since the goals of the Initiative were reached, funding for the initiative is included in the basic Adoptions Program budget.

Governor's budget: The budget provides \$78.7 million (\$41.3 general fund) to fund the Adoptions Program. The funding reflects a 2.9% increase over the current year budget largely due to an increase in available federal adoptions incentive funds to be expended in the beginning of the budget year. The budget reflects an overall decrease in the amount of federal Adoptions incentive funds available to California in the 2003-04 fiscal year.

Adoptions Services is the only children's services program component that the Administration excludes from its comprehensive realignment proposal. The Legislative Analyst recommends that the Legislature consider the Adoptions Services Program as a candidate for realignment. The Analyst comments that realignment of Adoptions Services is consistent with realignment of the other children's services programs and assures that counties assume increased financing responsibilities for the entire children's services system.

Budget issue: Does the Subcommittee wish to approve program funding as budgeted? Does the Subcommittee wish to consider this program as a candidate for realignment?

7. Adoption Assistance Program

Background: The Adoption Assistance Program (AAP) provides financial support to families adopting a child with special needs. These needs can include a mental, physical, medical or emotional handicap; race, color or language barriers to adoption; age of over three years; member of a sibling group; or adverse parental background, such as drug addiction or mental illness. The AAP payment shall not exceed the age-related foster family home care rate for which the child would otherwise be eligible, and the child shall have been otherwise eligible to receive aid under the Foster Care Program.

Governor's Budget: The budget provides \$503.8 million in combined federal and county funds for AAP grant payments. It provides an increase of \$54 million total funds for the AAP program. The budget assumes that the estimated caseload will be 60,811 in the budget year, a 12% increase over current year. The budget does not provide cost-of-living adjustments for this program. The caseload of this program has increased by an average of more than 13% each of the last three years. Such an increase in the AAP caseload is considered a desirable public policy goal as it means children have permanently transitioned out of the foster care system.

The Legislative Analyst's independent review of the Adoption Assistance Program's caseload found that the budget overstates caseload by at least 1.1 percent. The Analyst found that caseload growth in the AAP program has slowed and that actual caseload data shows a growth rate of 10.5 percent, not the 12 percent growth rate that the budget assumes. **The Analyst recommends that the Legislature reduce the AAP budget by \$4.6 million to reflect slowing in the caseload growth rate of the AAP program.**

The budget proposes to realign this program to counties. This issue will be discussed in more detail on page 26.

Subcommittee request and questions: The Subcommittee has requested that the Legislative Analyst answer the following questions:

1. Briefly discuss your findings regarding rate of caseload growth for the AAP program and the fiscal impact of your findings.
2. Discuss the impact of a decreasing rate of growth in the AAP program and the caseload of other children's programs, such as the Foster Care program.

The Subcommittee has requested that the Department of Social Services answer the following questions:

1. Briefly comment on the Analyst's findings regarding caseload growth in AAP.
2. Discuss how the projected caseload growth assumed in the budget compares to recent actual caseload data.
3. Discuss the impact of the potential decrease in caseload growth rate in the AAP on the caseload of other children's program and on the state's performance on the new federal outcome standards.

Budget issue: Does the Subcommittee wish to approve the Adoption Assistance Program funding at the level budgeted?

8. Kinship Guardianship Assistance Program (KinGAP)

Background: The KinGAP program provides stable guardian placement for children in foster care, who are placed with relatives and for whom the placement is their permanent plan. With the development of the guardianship, the court dependency can be dismissed, and there is no need for continued case supervision by the court or the local social services department. Similar to the Adoption Assistance Program, KinGAP provides guardians a monthly payment at the basic foster care rate for which the child would otherwise be eligible. Children are eligible for KinGAP when they have been living with a relative for at least twelve months. The budget estimates an average monthly caseload of 16,140 children. This constitutes a caseload growth rate of 24.1% from the current year to the budget year. This growth generates savings due to decreased case supervision costs, and improved permanency and stability for children.

Governor's budget: The budget for the KinGAP program is estimated to grow by a total of \$19.5 million, reflecting an increase of 24%. The increased funding supports the program's growing caseload. The budget does not assume provision of a cost-of-living adjustment or a cost of doing business increase. The budget provides a total of \$100.8 million in federal and county funds to support the program. The aforementioned budgeted amount does not reflect savings in CalWORKs and Foster Care expenditures resulting from the child's stable placement through the KinGAP program.

The budget proposes to realign the KinGAP program to counties as part of the proposed 2003 realignment. This issue will be discussed in more detail on page 26.

Budget issue: Does the Subcommittee wish to approve the approve KinGAP funding at the level budgeted?

9. Independent Adoptions Program

Background: The Independent Adoptions Program facilitates adoptions of children when an agreement has been reached between birth and adoptive parents. Essentially the Department of Social Services (DSS) serves as the investigative arm of the Court and makes a recommendation to approve or deny a petition for adoption. As part of the investigation, the DSS adoption specialist, within a specified timeline, completes a safety and welfare check, interviews petitioners and all persons required to consent to the adoption, and conducts a full investigation to assess the appropriateness of the adoption.

Through the Independent Adoptions Program, the department assists in the adoption of 1,200 children each year. Parents who adopt children through this program tend to be older, have somewhat lower earnings, and are less likely to be married than parents who adopt through private adoption agencies. Parents who adopt through IAP are far more likely to be related to the child than parents adopting through private agencies. Reportedly, the Independent Adoptions Program may serve parents who seek a

lower cost alternative to adopt children, as independent adoptions tend to cost less than private adoption agencies adoptions. Private agency fees can range from \$2,500 to \$30,000.

The Department of Social Services currently charges a \$1,250 fee to cover part of the costs associated with its IAP activities. The fee can be waived, reduced or deferred if the department, delegated county adoption agency or the court determine that the payment would cause economic hardship to the prospective adoptive parents and would be detrimental to the welfare of an adopted child. Administrative criteria result in the adjustment of the fee for families whose annual adjusted gross incomes are above the state median income. In the 2001-02 the department waived the fee for 543 adoptive parents or 47.5% of independent adoptions. Fee revenues finance approximately 62 % of program costs. It is projected that state would need to provide \$3.8 million in general fund support to supplement fee revenues and cover program costs.

Governor's budget: The budget proposes to eliminate this program to realize savings of \$3.8 million. The Governor proposes legislation to authorize private adoption agencies to assume the responsibility for completing independent adoptions, a responsibility currently fulfilled by the Department of Social Services. Specifically, the legislation authorizes private adoption agencies to conduct investigations on behalf of the court and to make a recommendation to approve or deny a petition for adoption.

The Subcommittee may wish to consider to raising the fee to \$3,100 to support the continuation of the program. This proposal would fund the program entirely with fee revenues. Independent Adoptions would remain significantly cheaper than the private adoption agency process. According to estimates provided by the DSS, the Subcommittee would need to eliminate the option for waiving the fee or raise the fee beyond the proposed \$3,100 level to realize the necessary level of program support.

Recent federal law changes will increase the maximum federal tax credit for adoption costs from \$5,000 to \$10,000. Effective January 1, 2003, taxpayers can reduce their federal tax liability by up to \$10,000 for qualifying expenses to adopt an eligible child. Qualifying expenses include reasonable and necessary adoption fees, court costs, attorney fees, and other expenses directly related to the adoption of an eligible child. Eligible children include children who are 18 years of age or younger or a child who is physically or mentally incapable of caring for himself or herself. This increased tax credit may mitigate the effect of higher Independent Adoption fees.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services respond to the following questions:

1. Briefly describe the proposed program elimination and its impact on adoption rates in California.
2. Discuss how this proposal may affect the rate of children served by the state through other children services programs such as the foster care program.
3. Discuss the feasibility and advantages or disadvantages of raising program fees as an alternative to program elimination.

Budget issue: Does the Subcommittee wish to approve or modify the proposed program elimination?

10. Maternity Care

Background: Since 1977, the Licensed Maternity Home Program has provided residential care, counseling and maternity-related services to pregnant, unwed residents of the State who are under 18 years of age when admitted to the program. The Department of Social Services contracts with four faith based organizations to provide program services.

Governor's budget: The budget provides \$600,000 general fund to support the program.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services respond to the following questions:

1. Briefly describe the program and the services it provides.
2. How many young women does this program serve each year?
3. What are the program's outcomes and how are those measured?

Budget issue: Does the Subcommittee wish to approve funding for the Maternity Program as budgeted?

11. Foster and Adoptive Home Recruitment Program

Background: The Foster and Adoptive Home Recruitment program supports community based organizations in recruiting individuals from under represented minorities to participate as foster and adoptive parents in the state's children services programs. The Department of Social Services plans to enter into four contracts with community based organizations in the budget year to fulfill the program's requirements.

Governor's budget: The budget provides \$392,000 (\$242,000) general fund to support the program in the budget year.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services respond to the following questions:

1. Briefly describe the program and the services it provides.
2. How many foster and adoptive parents do community based organizations recruit each year?
3. What are the program's outcomes and how are those measured?
4. To what extent are counties and foster family agencies required to recruit a diverse group of individuals and families to serve as foster and adoptive parents?

Budget issue: Does the Subcommittee wish to approve funding for the Foster and Adoptive Home Recruitment Program as budgeted?

5175 Department of Child Support Services

The Department of Child Support Services (DCSS), established as of January 1, 2000, administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support amounts are established, collected, and distributed to families, including securing child and spousal support, medical support, and determining paternity. The Department continues to have responsibility for addressing federal fiscal sanctions related to California's failure to develop adequate systems in the past. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and establishes performance standards for California's child support program. The budget anticipates collections of \$2.3 billion in the budget year. The department's overall budget decreases by \$17.8 million (1.5 percent) in the budget year.

The Subcommittee will consider the Department's budget in its totality on April 10th.

1. Foster Parent Training Fund

Since 1984, the Chancellor's Office of the California Community Colleges has operated a training program for foster parents. Beginning as a voluntary training program, the Community Colleges' program was significantly expanded in 1996 when all foster parents were required to obtain education and training. Parents were required to obtain education and training at the pre-service and ongoing service levels. Training was also expanded to include kinship care providers.

Today, **the expanded Foster and Kinship Care Education program provides training to facilitate the development of foster family homes and small family homes to care for children who have special needs.** It is the state's primary training program foster parents and kinship care provides, and assists foster parents in meeting licensing training hour requirements.

Sixty-seven community colleges provide the Foster and Kinship Care Education program. In 2000-01 over 21,600 hours of education and training were provided to over 23,100 participants. The program is funded with child support collections, Proposition 98, and federal Title IVE funds.

Current year funding is as follows:

Foster Children and Parent Training Fund	\$ 2,967,000
Community College Local Assistance	\$ 1,866,000
Federal Reimbursement	\$ 6,812,783
Total funding	\$11,645,783

Most state funding provided for this program comes from the Foster Parent Training Fund. Essentially California transfers the difference between the state share of child support foster care collections and the base level of the estimated share of child support foster care collections, up to a maximum of \$3 million, to the Foster Parent Training Fund. **These funds support the colleges' foster parent training programs and are used to leverage \$4.2 million in federal matching funds.**

The Foster Parent Training Fund was historically housed within the Department of Social Services. Legislation in 2000, following the creation of the new Department of Child Support Services transferred the fund from the DSS to the new Child Support Department. Since the Department of Child Support Services assumed responsibility for the fund, the Administration has twice proposed to eliminate the transfer of child support foster care collections to the Foster Care Training Fund.

A recent federal audit of California's Child Welfare Services System found that California is not operating in substantial conformity in all evaluated outcome areas and five of the seven evaluated factors. The areas reviewed include whether California protects children from abuse and neglect, keeps children safely in their homes whenever possible, provides children permanent and stable living situations, and provides children appropriate services to meet their educational, mental health and physical needs. The audit identified foster parent training as an area where California needs to improve.

Governor's budget: The budget eliminates the transfer of child support collection revenues to the Foster Parent Training Fund for an increase of \$2.6 million general fund revenue.

Subcommittee concerns and questions: The Subcommittee has asked the Department of Child Support Services, the Department of Social Services and the Chancellor's Office of the California Community Colleges to respond to the following questions:

1. Briefly describe the proposed elimination of the Foster Parent Training Fund and the reasoning behind this proposal.
 2. Discuss the impact of the proposal on the availability of training for foster parents.
 3. What amount of state funding does the budget provide for foster parent training and development?
 4. How will a reduction in foster parent training funds affect the ability of counties and the state to attract and retain foster parents?
 5. How may reductions in the number of foster homes participating in the foster care program affect program reimbursement rates? Will the state need to provide higher cost care to accommodate a reduced participation of foster family homes?
 6. How will this proposal affect California's ability to meet the new federal outcome standards for Child Welfare Services?
 7. Why was this fund transferred to the Department of Child Support Services from the Department of Social Services in 2000?
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5180 Department of Social Services

Food Programs and Adult Protective Services

1. Food Stamps Program and California Food Assistance Program

Background: The Food Stamps program provides eligible low-income families and individuals food stamps benefits at no cost. The program is overseen by the Department of Social Services and is administered by the counties. **The Food Stamps program will serve an estimated 1.9 million persons, approximately 144,000 more than last year.** The projected caseload increase is mostly the result of the restoration of federal food stamp benefits to immigrants who lost benefits as a result of the welfare reform law. Currently, the federal Food Stamps Program serves approximately 53% of all eligible Californians.

The U.S. Department of Agriculture funds the total benefit value of food stamps. The federal government also funds 50 percent of the program's administrative costs. The remaining 50 percent is split between the state and counties at a ratio of 70 percent to 30 percent respectively.

In addition to administering the Food Stamps program, **California funds and operates the California Food Assistance Program (CFAP). CFAP is a state-only food stamp program for legal non-citizens that serves individuals who became ineligible for the federal Food Stamps program following the 1996 enactment of the federal welfare reform law.** Last year, the federal government restored food stamps benefits to legal permanent residents. **This restoration of federal food stamps benefits to legal immigrant will dramatically reduce the number of CFAP beneficiaries in the budget year.** The estimated caseload at the end of the budget year is approximately 5,000.

Governor's budget: The budget provides \$720.9 million (\$5.2 general fund) for administration of the federal Food Stamps program (\$708.7 million) and support of the California Food Assistance program (\$11.2 million).

The budget proposes to realign Food Stamps Administration and the CFAP program to counties as part of the 2003 realignment. This issue is discussed in greater detail on page 30.

a. Federal Food Stamps Penalty

The Food Stamps program faces substantial federal penalties due to California exceeding the federally established maximum error rate. Although the state has initiated reforms in efforts to reduce its error rates (such as the implementation of prospective budgeting approved by last year's budget) California is currently liable for significant federal penalties. The state is making progress in reducing its error rates, however it is likely to face similar penalties in the foreseeable future.

Under current regulations, counties are liable for 90 percent of the federal penalty. Under realignment, counties will likely be responsible for 100 percent of future penalties

and for financing system changes necessary to implement the state's plan for corrective action. The budget does not propose any funding to pay the federal penalty.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services respond to the following questions:

1. Briefly discuss the status of California's food stamps penalty and negotiations with the federal government regarding last year's penalty.
2. Discuss the state's plan for corrective action.
3. What is the state's current error rate and do you expect the state to incur another penalty in the budget year?
4. When will the state be required to pay past penalties and when will funds to pay the penalty be included in the Budget Act?
5. How are recent reductions in compensation for county eligibility services likely to affect the state's high error rates?

b. Restoration of benefits to legal immigrants

Recent changes in federal law restored Food Stamps eligibility for tens of thousands of legal immigrants. Many of these individuals who have become eligible for the federal Food Stamps program are currently enrolled in the California Food Assistance Program. They are receiving food stamps benefits that are entirely financed by the state. Given that the federal government finances Food Stamps benefits, it is in California's best financial interest to transition eligible individuals from CFAP to Food Stamps promptly.

Effecting the transition of beneficiaries from CFAP to the federal Food Stamps program will require significant resources at the local level. Counties will need to determine whether current CFAP beneficiaries are eligible for the federal food stamps program, and assist beneficiaries in establishing eligibility for the federal program.

Governor's Budget: The budget assumes that 87,000 individuals will transition from CFAP to Food Stamps by October 2003. This shift in caseload will result in general fund savings for the CFAP program of \$21.4 million in the current year and \$99.7 million in the budget year. The savings will be partially offset by increased costs in Food Stamps Administration estimated at \$24.8 million (12.4 state and local funds) in the budget year.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services answer the following questions:

1. What are your projections regarding the rate of transition of individuals from CFAP to Food Stamps and how will this transition be realized?
 2. Does the budget propose any funding to support county redeterminations of food stamps eligibility and expedite the transition of eligible individuals from CFAP to Food Stamps?
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c. Elimination of face to face

State law requires food stamp applicants to complete a face-to-face interview with a caseworker prior to receiving food stamp benefits. These interviews almost always take place in the county food stamp office during regular business hours, when many prospective applicants are at work. Reportedly, limited office hours and the requirements that applicants complete face-to-face interviews prior to receiving benefits significantly affect the rates of food stamp participation. **Research by the United States Department of Agriculture has documented that applicants spend average of 5 hours and make 3 trips to the food stamp office to enroll in the Food Stamp program.**

Overall, only half of all eligible Californians get food stamps, and working families, who comprise 71 percent of eligible households, are especially unlikely to participate in the program. Informed observers and administrators suggest that the number of administrative barriers applicants must overcome to access the program may contribute to the depressed level of participation by eligible individuals. Concurrently, budget reductions in county administration funding may result in a loss of county staff, make it more difficult for counties to complete in-person interviews and process applications in a timely manner and may further reduce the number of eligibles who access the program.

Current federal law allows states to exempt certain households from a face-to-face interview if they meet certain conditions that impede their going to the food stamps office. Such conditions include, having a job that conflicts with office hours, transportation difficulties, or residing in a rural area. Under this law, applicants can complete the interview over the phone. They must continue to provide the same written verification of income and household situation as other program applicants.

Although the state has adopted these exemptions, advocates report that counties rarely use them. They recommend that the state strengthen these options and work with counties to increase the number of individuals who benefit from exemptions of the face to face requirements. For example, the state could clarify the conditions that constitute a hardship and facilitate the process for providing applicants an exemption from the face to face requirement.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services respond to the following questions:

1. Briefly describe the federal option to exempt applicants from the requirement that they complete a face-to-face interview prior to receiving food stamps benefits.
 2. Does California exercise this federal option and to what extent do counties grant such exemptions?
 3. Discuss the programmatic and state fiscal impact of increasing the number of exemptions from the face-to-face requirement provided to food stamps applicants.
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Budget issue: Does the Subcommittee wish to adopt placeholder legislation to facilitate the food stamps application process by clarifying the process for exempting applicants from the face-to-face requirement?

d. Transitional Benefits

Last spring, the federal government granted states an opportunity to provide five months of transitional food stamp benefits for people leaving cash assistance. Like transitional Medi-Cal or childcare, transitional food stamp benefits could assist California's families in making a successful transition from welfare to work.

As food stamps benefits are federally funded, the state would be required to fund a 50 percent of the administrative costs associated with providing transitional food stamps. The cost of providing temporary benefits to Californians transitioning from welfare to work is estimated to be between \$8 and \$10 million total fund (\$4 to 5 million state and local funds).

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services answer the following questions:

1. Briefly describe the federal option to provide transitional benefits to welfare leavers and the estimated costs to implement this option in California.
2. Discuss how this option may affect families in their transition from welfare to work, particularly how it may affect their rate of return to CalWORKs and their standard of living upon exiting CalWORKs.
3. Discuss the interaction between this proposal and the proposed realignment of food stamps administration costs to counties.

Budget issue: Does the Subcommittee wish to amend the proposed budget act to provide funding for the provision of transitional food stamps benefits to CalWORKs leavers?

13. Adult Protective Services

Background: The Adult Protective Services (APS) program serves adults who may be victims of abuse or neglect in their homes or in community care facilities. The program is overseen by the Department of Social Services and administered by the counties. Legislation in 1998 expanded the program and created the current statewide system. The Legislation expanded the categories of people required to report suspected abuse, and defined the types of abuse required to be reported. It also required counties to provide emergency response systems, emergency shelter and food, and in-home protective services to elderly and dependent adults in danger of or known to be abused, neglected or exploited. The law established a county maintenance of effort requirement of \$10.9 million, which represents the amount counties were spending on services prior to 1998.

Funding for the program increased in the years following enactment of the 1998 reforms. Total funding since 1999-00 has remained relatively stable until fiscal year 2002-03, when the program's general fund contribution was decreased by \$5.6 million. According to county estimates, current program funding is \$15.6 million less than needed to provide mandated services.

Governor's budget: The budget provides a total of \$103.1 million for Adult Protective Services: \$30.9 under the County Services Block Grant and \$72.2 million in additional funds. The budget assumes an average monthly caseload of 14,200 persons, slightly decreased from the current year caseload.

The budget proposes to realign the Adult Protective Services Program to counties and to grant counties full discretion in operating the program. This issue is discussed in more detail on page 30.

14. Compensation for County delivered services

Background:

The Department of Social Services contracts with California's 58 counties for the delivery of a wide range of services to children and their families. Counties locally administer and operate the Adoptions Assistance Program, CalWORKs, the Foster Care Program, and the Medi-Cal program. Counties are also responsible for Adoptions Services, Adult Protective Services, Child Welfare Services and the collection of child support. Lastly, the state contracts with counties for certain licensing activities including licensing foster family homes, other foster care providers and some childcare providers.

California reimburses counties according to established budgeting methodologies, which consider the workload of implementing state and federal requirements adjusted by program caseload. These methodologies vary across the programs and consider different activities depending on the program. For example, the state establishes differing methodologies for reimbursing counties for the provision of employment services than for the provision of eligibility services. Most of the state's reimbursement methodologies have been in place for over 10 years. Some have been adjusted to reflect new program requirements. Generally they seek to compensate counties for their actual costs.

In addition to establishing and adjusting these reimbursement methodologies, the state has established an annual evaluation process to consider increases in the cost of doing business and compensate counties for the actual costs of services delivered. Through this process the state considers increases in county costs including higher costs for workers compensation, health benefits, employee retirement contributions, energy, and lease. The state's decision to provide a cost-of-doing business adjustments to counties is generally discretionary. The state makes a determination to provide or suspend such adjustments during the annual budget process. Given the state's financial situation, the state has suspended county cost of doing business adjustments across programs. Additionally, the state has enacted reductions to county compensation for services rendered.

The suspensions of cost of doing business adjustments and the additional reductions have decreased county reimbursements for administering the Food Stamps, Child Welfare Services, Foster Care, Adoptions and Adult Protective Services programs by \$289.6 million (\$134.3 general fund).

The chart below illustrates the cumulative effect of suspending county cost of doing business adjustments and of additional reductions in county compensation:

Program	Suspended CODB Increases		Enacted Program Reductions		Total Program Cuts, 2001-03	
	Total	State GF	Total	State GF	Total	State GF
Food Stamps	\$143.1 m	\$50 m	\$16.5 m	\$6.8 m	\$159.6 m	\$56.8 m
Child Welfare Services	\$22.4 m	\$10.8 m	\$27.1 m	\$17.2 m	\$49.5 m	\$28 m
Foster Care	\$27.5 m	\$9.6 m	--	--	\$27.5 m	\$9.6 m
Adoptions	\$5.2 m	\$3 m	\$12.8 m	\$12.8 m	\$18 m	\$15.8 m
Adult Protective Services	\$17.3 m	\$13.3 m	\$17.7 m	\$10.8 m	\$35 m	\$24.1 m
TOTALS	\$215.5 m	\$86.7 m	\$74.1 m	\$47.6 m	\$289.6 m	\$134.3 m

According to representatives of counties the recent reductions in county compensations have limited the ability to counties to deliver program services and to meet state and federal requirements. For example, the reduction in compensation for administering Food Stamps translates into a reduction of 1,542 food stamps workers, which delays the provision of food stamps benefits to 632,000 children and their families every year. Similarly reductions in compensation for adoption services translates into 143 fewer adoption workers, which could delay the adoptions of 1,700 children in foster care.

While the state has significantly reduced compensation to counties, it has not relaxed requirements that counties must fulfill. For example, while compensation for child welfare services has been reduced by almost \$50 million, counties are required to continue visiting youth on a monthly basis and perform a series of activities to transition the youth into a permanent and safe situation.

Governor's budget: The budget suspends county cost of doing business adjustments for the budget year for the Adoptions, Adult Protective Services, Child Welfare Services, Food Stamps and Foster Care programs. The budget also proposes to realign most of these programs at their current level of funding.

Subcommittee request and questions: The Subcommittee requests that the Department of Social Services respond to the following questions:

1. Briefly describe the proposed compensation to counties for services delivered to children and families.
2. To what extent are counties compensated for their actual costs?
3. How have reductions in county compensation affected program outcomes and availability of program services?
4. What is the effect from a programmatic standpoint of realigning programs at their current level of compensation?

15. Governor's Proposed Realignment and Legislative Analyst's Options

Background: The Governor's budget proposes a major realignment package, which consists of **four components in the health and human services arena (over \$7.9 billion)**, and a court security plan for the Trial Courts (\$300 million), for total expenditures of \$8.2 billion. The **budget proposes new dedicated realignment revenues totaling \$8.3 billion**, including an increase in the Sales Tax (one percent), an increase in Personal Income Tax (10-11 percent bracket) and an increase in the Tobacco Excise Tax (\$1.10 increase).

Many of the programs proposed for realignment including Adoptions Assistance, Child Welfare Services, Food Stamps, and Foster Care were already realigned as part of the 1991-92 State-Local Realignment. The proposed realignment simply shifts a bigger portion of the responsibility for financing these programs to counties and includes additional programs within the State-Local realignment modality. **The Administration states that the proposed 2003 Realignment builds on the success of the previous realignment, protects core government services and encourages county innovation in the delivery of program services.**

The budget proposes implementing legislation for each of the proposed components of realignment. At this juncture, the language is crafted broadly to express the Legislature's intent to enact legislation to (1) transfer the specified programs and their non-federal share of expenditures to counties, (2) maintain state oversight of said programs, and (3) become operative only if dedicated revenues are enacted for this purpose.

The budget proposes that the 2003-04 fiscal allocations to counties be based on the proposed level of funding for counties for each of the programs, absent realignment. Beginning in 2004-05, the Administration assumes that a single allocation would be made to counties based on a formula to be developed through discussions with key stakeholders. **As such, the realignment funds serve as a type of "block grant" to counties whereby counties could shift funding across programmatic areas.**

The proposed realignment lacks critical details regarding its functionality and raises a series of programmatic considerations. However, realignment may provide opportunities for developing new models of service delivery, adapting programs to better meet local needs, and improving the quality of available program services. When evaluating the proposed realignment, the Legislature may wish to consider the following principles:

1. Any transfer of program and fiscal responsibility should be designed to assist both the state and counties in maximizing their service delivery responsibilities. If service delivery is maximized, the program participants will likely be better served and program efficiencies are more likely to occur.
2. The dedicated revenues provided for the program transfers should have a growth rate that is comparable with the anticipated growth of the program being transferred. If this is uncertain, a trigger mechanism may be considered in order to bring forth an expenditure or revenue discussion. The Realignment of 1991-92 included a “poison pill” provision for this purpose.
3. The programs transferred should be programs that allow counties and constituency groups flexibility to craft innovative approaches for service delivery. Under the Realignment of 1991-92, mental health services were re-focused and shifted from a model heavily reliant on state hospital services to a model that now offers a broader array of community based options. Both fiscal incentives and policy flexibility were made available to allow for innovation and some experimentation. Realignment may provide counties an opportunity to increase resources dedicated to the prevention of child abuse and neglect rather than spend more funds to serve youth after they have been abused or neglected.

a. Children and Youth

The budget proposes to realign \$2.37 billion in costs to counties to support the following Children and Youth Programs:

Adoption Assistance	\$217 million
Child Abuse Prevention, Intervention and Treatment	\$13 million
Child Care	\$1,031 million
Child Welfare Services	\$596 million
Foster Care Administration	\$34 million
Foster Care Grants	\$460 million
Kin-GAP	\$19 million

The realignment of these programs generates \$2.3 billion in general fund savings.

Most programs proposed to be shifted to counties as part of the Children and Youth component of realignment are currently overseen by the Department of Social Services.

Generally the programs are administered by counties and already require a county share-of cost for their financing.

The following chart summarizes key components of the programs proposed for realignment as part of the Children and Youth component and overseen by the Department of Social Services:

Program	Program Description	Total Funding	Caseload
Adoption Assistance	Adoption Assistance provides subsidies to promote the placement of hard-to-place adoptive children.	\$505.8 million	61,000, increased by 12 %
CAPIT	CAPIT provides grant funds to local agencies for prevention and intervention.	\$21.8 million	N/a
Child Welfare Services	Child Welfare Services (CWS) provides programs to protect children from abuse, neglect and exploitation. Programs include Emergency Response, Family Maintenance, Family Reunification and Permanent Placement.	\$2.08 billion	171,000
Foster Care	Foster Care provides support payments for children in out-of-home care, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes.	\$1.78 billion	76,400, increased by less than 1 %
Kin-GAP	Kin-GAP provides support to children in long-term stable placements with relatives.	\$100.8 million	16,140 increased by 24.1 %

Adoption Assistance, Child Welfare Services and Foster Care are federally required programs that deliver critical services to youth in need of protection and support. These programs are partially funded with federal funds and are administered by counties in accordance with federal and state requirements. The CAPIT program is a federal and state supported program that emphasis prevention of child abuse and neglect. The program operates in accordance with federal requirements and state priorities. Lastly, the Kin-GAP program is a state established program that is funded by a combination of state and county moneys. Counties administer Kin-GAP in accordance with state statutory and regulatory criteria and guidelines.

The programs proposed for realignment are governed by a series of state and federal laws and regulatory requirements. For example, federal law establishes an entitlement for foster care grants and services for youth who have been separated from their families due to abuse or neglect. Federal law requires that states establish a single agency to implement the Foster Care, Adoptions and Child Welfare Services programs and implement these federal programs according to uniform statewide criteria. Additionally, the state has established program requirements, generally spurred by serious allegations regarding the safety of youth in the state programs, court orders or media coverage of serious program shortcomings. Some of these state established program criteria include the requirement that counties visit foster youth on a monthly basis and the requirement that counties investigate immediately allegations of serious child abuse or neglect. The degree of county flexibility in the operation of these programs depends on the number of state and federal requirements governing program implementation.

The chart below illustrates some examples of federal and state programmatic requirements that affect county flexibility:

Program	Federal requirements	State requirements	County Flexibility
Adoption Assistance	Establish eligibility for assistance - Title IV-E	Establishes additional eligibility criteria for Title IV-E and the state-only program	Very Limited.
CAPIT	None	Counties must spend program dollars on child abuse prevention, intervention and treatment.	Substantial, as long as funds are used for the state established purpose.
Child Welfare Services	<ul style="list-style-type: none"> Establish outcome measures Require visits to youth once every 6 months Require that a case plan be developed within 60 days Require an emergency response system 	<ul style="list-style-type: none"> Establish outcome measures and monitor performance on federal outcome measures Require social worker visits to youth once a month. Requires that a case plan be developed within 30 days. Require that counties respond immediately to some reports of abuse or neglect and within 10 days for other reports. 	Establishing a service delivery system that meets the federal and state requirements.
Foster Care	Establishes eligibility under Title IV-E	<ul style="list-style-type: none"> Expands to voluntary placements. Establishes eligibility for the state-only program. Establishes provider reimbursement rates. 	Very limited.
Kin-GAP		Establishes eligibility criteria and program guidelines.	Very limited.

Most programs proposed for realignment as part of the Children and Youth component were already realigned in 1991-92 and require a county share-of cost for their financing. The required county share of cost varies across the programs and is generally based on the amount of local control of the program.

The following chart summarizes existing state and county ratios for program financing:

Programs	Current County Sharing Ratio	Realignment County Sharing Ratio
Adoption Assistance	25%	100%
CAPIT	0%	100%
Child Welfare Services	30%	100%
Foster Care Administration	30%	100%
Foster Care Grants	60%	100%
Kin-GAP	50%	100%

The degree of local control and county flexibility for program administration affects the ability of counties to manage program expenditures, assume risks, and be innovative in the delivery of services. The degree of risk counties will assume in the context of realignment is also affected by projected caseload growth and by the scope of the fiscal and programmatic issues the realigned programs face.

Caseload growth varies across the Foster Care Program, Kin-GAP, Adoption Assistance, and Child Welfare Services programs. The Kin-GAP program is experiencing the most rapid growth at a rate of 24.1 percent in the current year. The Adoptions Assistance program caseload is growing at the second fastest rate with a projected caseload increase of 12 percent in the budget year. The Foster Care Program has experienced a modest caseload increase in the recent past (2.2% in the budget year). This trend may change as historically the Foster Care Program rate of increase and decline has been precipitous and unpredictable. Generally, expenditures for the aforementioned programs have increased in the recent past.

The Foster Care Program, Adoption Assistance, and Child Welfare Services are facing different kinds of challenges and developments likely to alter program operations. For example:

- A 1999 workload study found that social worker caseloads in California are excessively high and provide for minimal levels of case management services for vulnerable children and families. The optimal caseload standards are half of the current budgeting standards. As a result of this study, the state provided increases to support workload relief. This funding was reduced in the current year and is proposed for realignment in the budget year. The current staffing levels may compromise the
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ability of social workers to do their job and will likely have a negative impact on California's ability to meet the new federal performance standards.

- The Adoption Assistance Program is adapting to a recent emphasis on expediting and increasing the number of adoptions. Recent federal legislation will likely reinforce these trends, as it requires courts to expedite the termination of parental rights after a shorter reunification period. The federal Adoptions and Safe Families Act created a new outcomes accountability system, which threatens penalties for states that do not meet or show significant improvement towards meeting the new federal outcomes. The new federal outcomes include timely establishment of permanent situations for foster children.
- The Foster Care Program, among other challenges, is facing a serious shortage of providers, particularly foster family homes and intensive treatment facilities for seriously troubled children. These provider shortages limit the ability of counties to provide appropriate placements for foster youth.
- Children's services programs, particularly foster care, must adapt to a new federal focus on outcomes that coincides with a relative decrease in federal funds to support the base program activities. Since federal Title IV-E dollars, the primary federal funding source for foster care, are linked to the cash assistance levels in place before welfare reform, they have become a declining source of revenue for children's services programs.

Generally, the proposed revenue for realignment will grow at a rate comparable to the projected growth of the Foster Care Program, Kin-GAP, Adoption Assistance, and Child Welfare Services absent significant program changes. However, the range of state and federal programmatic issues these programs face, such as the new outcome based system for evaluating children's services programs and declines in the percentage of foster care expenditures covered by federal funds, may expand the need for increased state or local program expenditures. Additionally, the limited flexibility counties have in administering the programs proposed for realignment affects the ability of counties to assume risk and manage future program expenditures.

The Legislative Analyst conducted a thorough analysis of the Governor's proposed realignment. The Analyst made the following point in her analysis:

1. Realignment of the proposed children and youth programs is workable.
 2. The Legislature may wish to consider realignment of Adoptions Services along with the other children and youth programs proposed for realignment by the Governor.
 3. The Legislature may wish to establish a new county share of cost to cover state automation costs for the realigned programs.
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4. Program control should be commensurate with the required county share of cost. Counties should be granted additional flexibility if they are required to fund the realigned programs.

Subcommittee requests and questions: The Subcommittee has requested that the Department of Finance and the Department of Social Services answer the following questions:

1. Briefly describe the proposed realignment of Children and Youth programs.
2. Discuss factors such as caseload growth and outstanding programmatic issues that may affect the need for future increases in program expenditures.
3. How would program operations change at the state and county level as a result of realignment?
4. What type of flexibility can the state grant counties? What type of flexibility does the state envision providing counties?
5. What would the role of the state be in the context of realignment?
6. What reductions in state operations expenditures has the Administration identified as a result of the proposed realignment?

The Subcommittee has requested that the Legislative Analyst respond to the following questions:

1. Discuss your analysis of the Governor's proposed realignment
2. Briefly describe your proposed changes to the Governor's realignment and the reasoning underlying your recommendations.
3. How would program operations change at the state and county level as a result of your realignment proposal?
4. What type of programmatic flexibility can the state grant counties? What may be the impact of granting such flexibility on program services and program beneficiaries?
5. What reductions in state operations expenditures may be identified as a result of the proposed realignment?

Budget issue: Does the Subcommittee wish to approve the proposed realignment?

b. Healthy Communities

The budget proposes to realign \$2.73 billion in costs to counties to support a series of programs categorized as "Healthy Communities Programs". The Healthy Communities component of realignment includes public health programs, a share of cost for administering the Medi-Cal program, the Cash Assistance for Immigrants program, various components of the CalWORKs program and the following programs:

Adult Protective Services	\$61 million
California Food Assistance Program	\$15 million
Food Stamp Administration	\$268 million

The realignment of these Healthy Communities programs is estimated to generate \$2.67 billion in general fund savings.

The Adult Protective Services, CFAP and Food Stamp programs are currently overseen by the Department of Social Services and are administered locally by county welfare departments. The Food Stamps program is a federally established and primarily federally funded program. The CFAP and Adult Protective Services programs are state programs that are entirely supported by the state general fund.

The following chart summarizes key components of some of the programs proposed for realignment as part of the Healthy Communities component and overseen by the Department of Social Services:

Program	Program Description	Total Funding	County Share	Caseload
Adult Protective Services	The Adult Protective Services (APS) program seeks to protect adults who may be victims of abuse or neglect in their homes or in community care facilities.	\$103.1 million	0%	14,200
California Food Assistance Program	CFAP provides food stamps benefits to legal non-citizens who became ineligible for the federal Food Stamps program following the 1996 enactment of federal welfare reform.	\$11.2 million	0%	5,000
Food Stamp Administration	The Food Stamps program provides eligible low-income families and individuals food stamps benefits at no cost. The federal government funds actual benefit costs. The state and counties finance 50% of administration costs.	\$720.9 million	15%	1.9 million persons

The Adult Protective Services, California Food Assistance Program and Food Stamps Administration provide varying amounts of state and county flexibility in program administration. **The Food Stamps program is a federally established and primarily federally funded program. As such, most program requirements are established at the federal level.** States are given some discretion in the administration of the program. For example, states establish the resource requirements for food stamp applicants and recipients and define some of the information applicants must provide when establishing eligibility for benefits. Federal law requires that the Food Stamps program be administered by a single state entity and that states administer the program according to uniform statewide criteria. Counties have very limited flexibility in administering the

food stamps program. **The state may grant significantly more flexibility to counties in the administration of the CFAP and Adult Protective Services programs as these programs are established by the state and operate according to state laws and regulations.**

The varying degree of local control and county flexibility for program administration affects the ability of counties to manage program expenditures, assume risks, and be innovative in the delivery of services. The degree of risk counties will assume in the context of realignment is also affected by projected caseload growth and by the scope of fiscal and programmatic issues the realigned programs face.

DSS please provide info summarizing caseload trends.

The programs proposed for realignment as part of the Healthy Communities component face the following fiscal and programmatic issues:

- The Food Stamp program faces substantial federal penalties due to California exceeding the federally established maximum error rate. Although the state has initiated reforms in efforts to reduce its error rates (such as the implementation of prospective budgeting approved in last year's Budget Act) California is currently liable for significant federal penalties. The state is making progress in reducing its error rates, however it is likely to face similar penalties in the foreseeable future.

Under current regulations, counties are liable for 90 percent of the federal penalty. Under realignment, counties will likely be responsible for 100 percent of future penalties and for financing system changes necessary to implement the state's plan for corrective action.

- Recent changes in federal law restored Food Stamps eligibility for tens of thousands of legal immigrants. Many of these individuals who have become eligible for the federal Food Stamps program are currently enrolled in the California Food Assistance Program. They are receiving food stamps benefits that are entirely financed by the state. Given that the federal government finances Food Stamps benefits, it is in California's best financial interest to transition eligible individuals from CFAP to Food Stamps promptly. Effecting the transition of beneficiaries from CFAP to the federal Food Stamps program will require significant resources at the local level.
 - Demand for Adult Protective Services has significantly increased in the recent past. Legislation in 1998 expanded the program, created the current statewide system, expanded the categories of people required to report suspected abuse, and defined the types of abuse required to be reported. It also required counties to provide emergency response systems, emergency shelter and food, and in-home protective services to elderly and dependent adults in danger of or known to be abused, neglected or exploited. Since the passage of the 1998 legislation funding for the program has increased. Total funding since 1999-00 has remained relatively stable until fiscal year 2002-03, when the program's general fund contribution was decreased by \$5.6
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million. According to county estimates, current program funding is \$15.6 million less than needed to provide mandated services.

Generally, the proposed revenue for realignment will grow at a rate comparable to the projected growth of the Adult Protective Services and Food Stamps programs. However, state and federal programmatic issues, such as the Food Stamps penalty and increased demand for adult protective services, may create a need for additional program expenditures. Additionally, decisions regarding the degree of local control of the programs will affect the ability of counties to manage future program expenditures and may jeopardize the continued existence of some of the programs.

The Legislative Analyst conducted a thorough analysis of the Governor's proposed realignment. The Analyst made the following point in her analysis:

1. Food Stamps Administration expenditures should not be increased beyond 50% of the non-federal share due to the counties limited program control.
2. The California Food Assistance Program should not be realigned as it is a statewide program that should continue to have uniform standards and statewide benefit levels.
3. The Adult Protective Services program is a good candidate for realignment. However, counties should be granted additional flexibility if they are required to fund the realigned program.

Subcommittee requests and questions: The Subcommittee has requested that the Department of Finance and the Department of Social Services answer the following questions:

1. Briefly describe the proposed Healthy Communities component of realignment, particularly the proposed shift of APS, CFAP and Food Stamp Administration.
 2. Discuss factors such as caseload growth and emerging programmatic issues that may affect the need for future increases in program expenditures.
 3. How would program operations change at the state and county level as a result of realignment?
 4. What type of flexibility can the state grant counties? What type of flexibility does the state envision providing counties in the context of the proposed realignment?
 5. What would the role of the state be in the context of realignment?
 6. What reductions in state operations expenditures has the Administration identified as a result of the proposed realignment?
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The Subcommittee has requested that the Legislative Analyst respond to the following questions:

1. Discuss your analysis of the Governor's proposed realignment.
2. Briefly describe your proposed changes to the Governor's realignment and the reasoning underlying your recommendations.
3. How would program operations change at the state and county level as a result of the proposed realignment?
4. What type of programmatic flexibility can the state grant counties? What may be the impact of granting such flexibility on program services and beneficiaries?
5. What reductions in state operations expenditures may be identified as a result of the proposed realignment?

Budget issue: Does the Subcommittee wish to approve the proposed realignment?
